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## United Arab Emirates

### Poultry and Products

### Annual Poultry Meat Report

### 2003

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**Report Highlights:** UAE poultry producers face significant production hurdles that inhibit their ability to capitalize on opportunities presented in this growing consumer market. Poultry suppliers are reacting to the unsatisfied market demand by importing frozen poultry, at record level in 2003 that does not appear to be waning in 2004 despite health/safety problems internationally.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Dubai [TC1]  
[TC]

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## Production

UAE poultry production remained nearly unchanged from last year though an established medium-sized producer closed but was replaced by a new start-up operation. Keen competition and production problems posed by high input costs on raw materials such as feed and medicine (specifically to address the H9N2 Avian influenza low pathogenic virus strand found in this region), inhibited expansion. Such production hurdles will need to be addressed in a serious manner, if major future expansion is to occur.

U.S. involvement in the UAE poultry sector remains nonexistent, except for as a supplier of some equipment and technical information. Most existing farms, particularly major farms, utilize the latest available technology and periodically upgrade facilities to maintain/improve production levels. One major producer has plans to increase production to 10 million birds by 2007, if production factors become more favorable.

Poultry production is on a 16-week cycle. Of this year's production six large farms accounted for 65 percent while four medium-sized operations accounted for 20 percent. The remaining 15 percent is shared among a number of small farms.

The gap between total demand and domestic production remains wide. However, current production problems are causing major producers in many cases to sell at or slightly below cost to stay in the market. One major company diversified into real estate to offset losses from its poultry operation.

Major poultry operations are fully integrated. Production is slaughtered at on-farm facilities. Marketing, sales and distribution is conducted in-house. Some operations are even involved in direct retail. Domestically produced poultry is generally sold fresh/chilled. During summer, when sales typically are soft due to weather, major operations will freeze some production. In effort to expand market share some farms are producing limited amounts of chilled boneless or bone-in parts. One major operation is even producing chicken franks and burgers for the local market. Small farms usually sell their production live, at weights usually more than 2 kg/bird.

Domestic and imported poultry is retailed side-by-side in major retail outlets, such as hypermarkets, superstores and supermarkets. Because of high production costs and no direct government support local production tends to be marketed fresh/chilled. It is not sold in small retail outlets or convenience stores because of its relative high price. All feed ingredients are imported. The feed conversion rate is about 1.8 kg per kg weight gain, depending on the breed. Imported poultry, is less expensive and is marketed in nearly all retail outlet, regardless of size and type.

## Consumption

Consumption of poultry is rising due, in part, to the following factors:

- Local population increase,
- Health and food safety concerns with red meats due to international problems with BSE, Foot and Mouth disease, dioxin tainted products, cholesterol and related cardiac problems,
- Lower cost as compared to red meats and fish,
- Expansion of the HRI sector
- Increase in the transit population. The number of visitors last year reached 6 million and is projected to continue increasing for the next several years.

Traditionally, the HRI sector sought whole chickens. Leg quarters have gained in popularity with this sector through competitive pricing and by being a leaner product than breast meat, which is relatively expensive. Generally, poultry meat is less expensive than other red meats, such as beef. In addition, poultry meat is easy to market as it is used in a broader array of recipes and cooking styles in this culturally diverse region.

Imported poultry meat, whole and parts, is less expensive compared to domestic products. Brazilian and Danish poultry are popular among households for perceived quality and low water content. French poultry, because of high water content, is used by the institutional sector. U.S. leg quarters are an ideal alternative to U.S. whole chicken because of its lower bulk price. Attempts to market U.S. leg quarters pre-packed for retail distribution proved unsuccessful due to its high retail price tag. Leg quarters, usually imported in 20 lb. packs, are suited for the HRI sector. The HRI sector, however, is demanding packaging of leg quarters and other poultry products on trays for storage and handling reasons and is turning away from such products packaged in bulk bags though they may be less expensive.

U.S. whole chicken is absent from the retail sector for two reasons:

- 1) Package and presentation are considered unattractive. The "misshaped" bird, owing to the way it is quick frozen after processing in the U.S., is the principle problem.
- 2) C&F prices are usually prohibitive, as compared to cost for Brazilian, Danish and French poultry.

Boneless chicken is sourced primarily from Thailand displacing China since the later was banned for health/safety concerns. Boneless chickens are mainly consumed in Arabic and Lebanese-style restaurants and cafeterias. Boneless breasts are marketed in retail outlets. Consumption of whole turkey is seasonal, mainly by Westerners during the November/December holiday season, while duck is consumed primarily in Chinese restaurants and in some Arabic restaurants.

Local poultry is consumed as fresh/chilled, mainly by households and, to a lesser extent, at some HRI sites, such universities, hospitals and military, particularly in Abu Dhabi area. For religious observance reasons, some consumers prefer to pay a premium price for local chicken to gain the guarantee of freshness and the assurance of preparation according to Moslem rites, i.e., hand slaughtered. A domestic poultry operation is now producing fresh chicken franks, at a premium, that suits local tastes.

Because of the price difference, little real competition exists between domestic and imported chicken. Imported whole chicken retails at about half the cost of domestic chicken that markets at about US\$3/kg. Among imported chickens, Brazilian is more widely accepted because of market visibility and attractive price.

Indicative retail prices (in U.S.\$) for some imported/domestically produced whole bird/parts follow:

Whole bird:	Brazilian: \$2.04/kg; // Danish: \$1.63/kg; // French: \$1.35/kg; // Saudi: \$2.35/kg
Quails:	Saudi: \$4.00/kg
Drumsticks:	Brazilian: \$2.38 // French: \$1.50/2 lbs, Saudi: \$1.23/1lb
Thighs, boneless	Brazilian: \$4.34/2 lbs // Saudi: \$2.38/1 lbs
Livers:	Brazilian: \$2.50/kg
Wings:	Saudi: \$1.23/1 lb
Boneless breasts:	Brazilian: \$4.08/kg, Saudi: \$ 4.02/2 lbs

Local Fresh: Whole chicken: \$3/kg; boneless breast: \$ 8.17/kg; breast w/bone: \$4.10/kg  
Drumsticks: \$5.45/kg

### Import/Export

Poultry imports surged to a record level in 2003, rising to 178,000 MT, at a value of \$168 million. Imports in 2004 remain at a brisk pace due to strong tourism demand and re-exports to Iraq, Iran and Afghanistan, the current largest re-export markets for UAE. Re-exports to Afghanistan are mostly of leg quarters.

In 2003 poultry parts rose to represent 35 percent of total imports. The U.S. share in this market rose to represent 45 percent of total parts imports, and 15 percent of total imports. Demand for parts is expected to continue to expand due to the growing health awareness of end users who are demanding the lower costing parts products. Brazil remains the dominant supplier in the poultry import market with a 64 percent market share and is expected to continue this dominance for several reasons summarized below:

- 1) Lower cost of production due to cheaper labor and inputs;
- 2) Competition offered by other traditional competitors such as Denmark and France is waning since the lowering of the EU export subsidy and the emergence of the EU market,
- 3) Higher cost of production in Europe,
- 4) Some major EU poultry producers have set up production facilities in Brazil to produce their brand at the lower cost thus compete with other Brazilian producers.

U.S. poultry was banned for three months with the detection of Avian Influenza in February. In May the ban was lifted for all but fresh/chilled poultry from the States of Texas and Delaware. As of this report date, this latter ban was still in place.

The UAE does not trade in paws or feet. UAE poultry imports in 2002, 2003 and estimates for 2004 follow.

UAE Poultry imports (Metric Ton)			
	CY 2002	CY 2003	CY 2004 (ATO Estimate)
Brazil	78,297	107,911	125,000
Denmark	17,237	15,645	15,000
France	17,782	10,036	11,000
Saudi Arabia	4,530	3,515	5,000
Thailand	1,095	1,942	2,500
U.S.	14,484	25,183	15,000
Other	2,517	3,573	8,500
TOTAL	135,942	167,805	182,000

Printed media advertising is the most popular marketing tool followed by TV. Year round advertising campaigns are usually maintained. In-store promotions are common, particularly for new-to-market products. Suppliers and local producers are constantly looking for new markets and opportunities to expand sales. Suppliers usually provide local agents with marketing funds.

Imported and locally produced poultry are channeled to end-users very similarly, except that the local product has a shorter delivery rout from the producer to the end user. Imported poultry is channeled from the importer to a wholesaler to a distributor and, finally, to the retailer. Distribution trucks reach nearly every retail store in the country regardless of its size.

Both importers and domestic producers of poultry are well equipped with excellent air-conditioned warehouses and refrigerated trucks for the distribution of product. They are also staffed with well-trained sales representatives. Major retailers are constantly adding more state-of-the-art super and hypermarkets and providing better service to ensure that their products are ideally stacked and positioned.

Because of different marketing practices than used with red meats, poultry products do not require the presence of a butcher and special handling at the retail level. Therefore, its presence in a retail outlet, regardless of size and grade, requires the availability of only a freezer.

### Stocks

Importers and chicken producers usually maintain limited stocks and plan their imports and production accordingly to avoid unnecessary costs such as storage. This is also aimed to avoid pressures resulting from price changes in both the local and international markets. Report instructions require that stocks in PSD table should be 0.

**Technical & Economic Factors:**

The UAE is a major oil producer and enjoys one of the world's highest per capita incomes. Current world oil prices favor the UAE economy. The UAE currency, the Dirham, is strong. The exchange rate vis-à-vis the U.S. Dollar remains fixed at 3.673 dirham to US\$1.00 dollar. The UAE Government applies a liberal trade policy and does not restrict the movement of currencies nor does it involve itself in trade.

Health and sanitary regulations are strictly enforced regardless of country of origin, to ensure human and animal health safety. Local health officials travel periodically to exporting countries to inspect production and processing facilities. If an exporting plant is found unable to supply wholesome products, its products will be immediately banned. Imported product of established brands is randomly checked at port of entry for Salmonella and other pathogen contamination. If a given shipment's samples exceed the permissible levels of Salmonella bacterium per carcass, it will be rejected. Locally produced chicken is also monitored to determine fitness for human consumption.

Poultry products are required to include on the label the following:

- a) Date of production and expiry;
- b) Net weight;
- c) Country of origin; and
- d) The producer's name and address.

(Note: UAE shelf life regulations require the product to arrive within 4 months of date of production. The shelf life for frozen poultry is one year.)

Poultry must be slaughtered according to Islamic requirements. A Halal slaughter certificate issued by an approved Islamic Center in the exporting country must accompany imported poultry. The biotech issue is attracting some attention. Discussions underway center on whether to impose labeling standards.

## PSD Table

Country United Arab Emirates

Commodity Poultry, Meat, Broiler

(1000 MT)(MIL HEAD)

2003 Revised	2004 Estimate	2005 Forecast	UOM
USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
USDA Official [Old]	Post Estimate [New]		
Market Year Begin01/2003	01/2004	01/2005	MM/YYYY
Inventory (Reference)	0 0 0	0 0 0	(MIL HEAD)
Slaughter (Reference)	0 0 0	0 0 0	(MIL HEAD)
Beginning Stocks	0 0 0	0 0 0	(1000 MT)
Production	33 33 35	35 0 35	(1000 MT)
Whole, Imports	95 120 95	120 0 120	(1000 MT)
Parts, Imports	50 58 45	60 0 62	(1000 MT)
Intra EC Imports	0 0 0	0 0 0	(1000 MT)
Other Imports	0 0 0	0 0 0	(1000 MT)
TOTAL Imports	145 178 140	180 0 182	(1000 MT)
TOTAL SUPPLY	178 211 175	215 0 217	(1000 MT)
Whole, Exports	20 20 20	20 0 20	(1000 MT)
Parts, Exports	25 20 20	20 0 22	(1000 MT)
Intra EC Exports	0 0 0	0 0 0	(1000 MT)
Other Exports	0 0 0	0 0 0	(1000 MT)
TOTAL Exports	45 40 40	40 0 42	(1000 MT)
Human Consumption	133 171 135	175 0 175	(1000 MT)
Other Use, Losses	0 0 0	0 0 0	(1000 MT)
Total Dom. Consumptn	133 171 135	175 0 175	(1000 MT)
TOTAL Use	178 211 175	215 0 217	(1000 MT)
Ending Stocks	0 0 0	0 0 0	(1000 MT)
TOTAL DISTRBTN	178 211 175	215 0 217	(1000 MT)
CY Imp. from U.S.	0 25 0	15 0 20	(1000 MT)



Poultry,  
Meat,  
**Commodity Broiler**

Time Period	2003	Units:	
Exports for:	Chicken		#VALUE!
U.S.	0	U.S.	
Others		Others	
Azerbaijan	200		
Iran	6000		
Turkmenistan	500		
Afganistan	2000		
Bahrain	100		
Kuwait	200		
Iraq	500		
Jordan	500		
Tadzhikistan	1500		
Oman	20000		
Total for Others	31500		0
Others not Listed	8500		
Grand Total	40000		0

# Import Trade Matrix

**Country** United Arab Emirates

**Commodity** Poultry, Meat, Broiler

Time Period	2003	Units:	MT
Imports for:	Chicken		#VALUE!
U.S.	25183	U.S.	
Others		Others	
Brazil	107911		
Denmark	15645		
France	10036		
Saudi Arabia	3515		
Thailand	1942		
Total for Others	139049		0
Others not Listed	3573		
Grand Total	142622		0

Note: Please note that the Excel Formula for the "Grande Total" could not reflect the total including US exports. The first cell of the formula showed "B7" which is a blank cell while in fact US exports do appear in cell "B6". Since the formula is protected ATO Dubai was not able to change the formula. Thus the "Grand Total in the above table does not reflect the actual total which is 167,805 MT. Please check Excel file attached to the report.

# Prices Table

**Country** United Arab Emirates

**Commodity** Poultry, Meat, Broiler

Prices in  per uom

Year	2004	2005	% Change
Jan	1150		-100%
Feb	1100		-100%
Mar	1050		-100%
Apr	1025		-100%
May	1000		-100%
Jun	850		-100%
Jul	900		-100%
Aug	925		-100%
Sep	950		-100%
Oct			
Nov			
Dec			

Exchange Rate  Local Currency/US \$

Date of Quote  MM/DD/YYYY